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Macroeconomic policy questions: commodities

Report of the Second Committee*

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I. Introduction

1. The Second Committee held a substantive debate on agenda item 92 (see A/55/579, para. 2). Action on sub-item (b) was taken at the 34th and 42nd meetings, on 15 November and 8 December 2000. An account of the Committee's consideration of the sub-item is contained in the relevant summary records (A/C.2/55/SR. 34 and 42).

II. Consideration of draft resolutions A/C.2/55/L. 28 and A/C.2/55/L. 62

2. At the 34th meeting, on 15 November, the representative of Nigeria, on behalf of the States Members of the United Nations that are members of the Group of 77 and China, introduced a draft resolution entitled "Commodities" (A/C.2/55/L.28), which read:

> "*The General Assembly*,
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> "*Recalling* its resolutions 45/200 of 21 December 1990, 47/185 of 22 December 1992, 48/214 of 23 December 1993, 51/169 of 16 December 1996 and 53/174 of 15 December 1998, and stressing the urgent need to ensure their full implementation,
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> "*Reaffirming* the outcome of the tenth session of the United Nations Conference on Trade and Development, held at Bangkok from 12 to 19 February 2000, and the Plan of Action adopted by the Conference, in particular paragraphs 64 to 68 and 144,

* The report of the Committee on this item will be issued in six parts, under the symbol A/55/579 and Add.1-5.

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"*Also reaffirming* the United Nations Millennium Declaration of the heads of State and Government, adopted on 8 September 2000,

"*Welcoming* the Havana Declaration and Programme of Action adopted by the South Summit on 14 April 2000,

"*Noting with concern* the report by the Secretary-General of the United Nations Conference on Trade and Development on the declining trend of commodity prices,

"*Taking note* of the report of the forty-seventh session of the Trade and Development Board, held at Geneva from 9 to 20 October 2000,

"*Recognizing* that many developing countries, in particular African countries and least developed countries, are highly dependent on the commodity sector which still remains the principal source of export revenues and the primary source of the creation of employment, income-generation and domestic savings, as well as a driving force of investment and a contributor to economic growth and social development,

"*Expressing deep concern* about the negative effects of the continuing unfavourable weather conditions on the supply side of commodity-dependent countries and the effects of financial crises on the demand for commodities, as well as the continuing decline of commodity prices, which adversely affects the economic growth of commodity-dependent countries, especially in Africa and the least developed countries,

"*Concerned* about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes and in attaining meaningful access to markets for their commodities,

"*Emphasizing* the necessity for the developing countries, in particular African countries and the least developed countries, for a domestic industrial transformation of their commodity production with a view to enhancing productivity and stabilizing and increasing their export earnings, thus promoting the sustainable economic growth of developing countries in their integration into the global economy,

"1. *Emphasizes* the need for developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

"2. *Expresses* the urgent need for strongly supportive international policies and measures to improve the functioning of commodity markets through efficient and transparent price formation mechanisms, including commodity exchanges, and through the use of commodity price risk management instruments;

"3. *Urges* developed countries to continue to support the commodity diversification and liberalization efforts of developing countries, especially African countries, the least developed countries, small island developing States and small vulnerable States, in a spirit of common purpose and efficiency, inter alia, by providing technical and financial assistance for the preparatory phase of their commodity diversification programmes;

"4. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

"5. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts, in developing countries, especially in commodity-dependent countries, and, in this respect, stresses that:

"(a) International support for the efforts of developing countries towards the industrial transformation of their commodities is required to increase their export revenues and to improve their competitiveness with a view to facilitating their integration into the global economy;

"(b) In the context of the process of trade liberalization, tariff peaks should be minimized and the use of trade-distorting policies and practices and non-tariff barriers should be eliminated as they have negative effects on the ability of developing countries to diversify their exports and undertake the required restructuring of their commodity sector and have an adverse impact on liberalization measures taken by commodity-dependent developing countries and their efforts towards poverty elimination;

"(c) In the light of the process of multilateral trade liberalization, which has led to the diminution of differentials accorded by preferred trade regimes, there is a need to take measures, as appropriate and consistent with international obligations, to address that diminution, in particular by strengthening technical and financial assistance in addressing the supply-side constraints faced by commodity-dependent developing countries, in order to improve the competitiveness of their commodity sector and to overcome difficulties encountered in their diversification programmes;

"(d) Timely and effective financial cooperation to facilitate the management by commodity-dependent countries of excessive fluctuations in commodity export earnings should be maintained and further pursued;

"(e) Strengthening technical cooperation in the areas of transfer of new technologies and know-how in production processes and training for technical, managerial and commercial staff of developing countries is of paramount importance for quality improvements in the commodity sector;

"(f) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

"(g) There is a need to promote, expand and intensify research and development, to provide infrastructure and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

"6. *Encourages* the Common Fund for Commodities, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development and other relevant bodies, to expand the activities of the Second Account of the Common Fund and to increase its available funding for research and development and extension services in developing countries, including adaptive research on production and processing aimed at smallholders and small-sized and medium-sized enterprises in developing

countries, in order to widen the scope of activities and thus ensure the effective participation of all stakeholders;

"7. *Invites* the United Nations Conference on Trade and Development, within its mandate, to provide assistance to developing countries in the financing of commodity diversification and to include issues related to commodities in the provision of analytical support and technical assistance to developing countries in their preparation for effective participation in multilateral trade negotiations and in formulating a positive agenda for future trade negotiations;

"8. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to report to the General Assembly at its fifty-seventh session on world commodity trends and prospects;

"9. *Decides* to include in the provisional agenda of its fifty-seventh session the sub-item entitled 'Commodities'."

3. At the 42nd meeting, on 8 December, the Vice-Chairman of the Committee, Anne Barrington (Ireland), introduced, a draft resolution also entitled "Commodities" (A/C.2/55/L.62), which she submitted on the basis of informal consultations held on draft resolution A/C.2/55/L.28.

4. At the same meeting, the Committee adopted draft resolution A/C.2/55/L.62 (see para. 6).

5. In the light of the adoption of draft resolution A/C.2/55/L.62, draft resolution A/C.2/55/L.28 was withdrawn by its sponsors.

III. Recommendation of the Second Committee

6. The Second Committee recommends to the General Assembly the adoption of the following draft resolution:

Commodities

The General Assembly,

Recalling its resolutions 45/200 of 21 December 1990, 47/185 of 22 December 1992, 48/214 of 23 December 1993, 51/169 of 16 December 1996 and 53/174 of 15 December 1998, and stressing the urgent need to ensure their full implementation,

Reaffirming the outcome of the tenth session of the United Nations Conference on Trade and Development, held at Bangkok from 12 to 19 February 2000,[1] and the Plan of Action adopted by the Conference,

Also recalling the United Nations Millennium Declaration of the heads of State and Government adopted on 8 September 2000,[2]

Taking note of the Declaration and the Programme of Action adopted by the South Summit of the Group of 77, held at Havana from 10 to 14 April 2000, [3]

[1] TD/390.

[2] Resolution 55/2.

Noting with concern the report of the United Nations Conference on Trade and Development concerning the declining trend of most commodity prices,[4]

Taking note of the report of the Trade and Development Board on its forty-seventh session,[5] held at Geneva from 9 to 20 October 2000,

Recognizing that many developing countries, in particular African countries and the least developed countries, are highly dependent on the commodity sector, which still remains the principal source of export revenues and the primary source of the creation of employment, income-generation and domestic savings, as well as a driving force of investment and a contributor to economic growth and social development,

Expressing deep concern about the negative effects of unfavourable weather conditions on the supply side of most commodity-dependent countries and any continuing effects of the 1997-1998 financial crisis on the demand for commodities, as well as the continuing depressed levels of most commodity prices, which adversely affect the economic growth of commodity-dependent countries, especially in Africa and the least developed countries, as well as commodity-dependent small island developing States,

Concerned about the difficulties experienced by the developing countries in financing and implementing viable diversification programmes and in attaining access to markets for their commodities,

Emphasizing the necessity for a domestic industrial transformation of commodity production in the developing countries, in particular African countries and the least developed countries, with a view to enhancing productivity and stabilizing and increasing their export earnings, thus promoting the sustainable economic growth of developing countries and their integration into the global economy,

1. *Emphasizes* the need for the developing countries that are heavily dependent on primary commodities to continue to promote a domestic policy and an institutional environment that encourage diversification and liberalization of the trade and export sectors and enhance competitiveness;

2. *Expresses* the urgent need for supportive international policies and measures to improve the functioning of commodity markets through efficient and transparent price formation mechanisms, including commodity exchanges, and through the use of commodity price risk management instruments;

3. *Expresses concern* at the declining terms of trade in most primary commodities, in particular for net exporters of such commodities, as well as the lack of progress in many developing countries in achieving diversification and, in this regard, strongly emphasizes the need for actions at both the national and international levels, inter alia, to improve market access conditions, address supply-side constraints and provide support for capacity-building, including in areas that actively involve women;

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[3] See A/55/74.

[4] See A/55/332.

[5] TD/B/47/11 (Vol. I). The report will appear in final form, together with the reports on the twenty-third to twenty-fifth executive sessions, as *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 15* (A/55/15/Rev.1).

4. *Urges* the developed countries to continue to support the commodity diversification and liberalization efforts of commodity-dependent developing countries, especially in Africa and the least developed countries, as well as commodity-dependent small island developing States, in a spirit of common purpose and efficiency, inter alia, by providing technical and financial assistance for the preparatory phase of their commodity diversification programmes;

5. *Urges* producers and consumers of individual commodities to intensify their efforts to reinforce mutual cooperation and assistance;

6. *Reiterates* the importance of maximizing the contribution of the commodity sector to economic growth and sustainable development, while continuing with diversification efforts in developing countries, especially in commodity-dependent countries, and, in this respect, stresses that:

(a) International support for the efforts of developing countries in the industrial transformation of their commodities is required to increase their export revenues and improve their competitiveness with a view to facilitating their integration into the global economy;

(b) In the context of the process of trade liberalization, tariff peaks should be minimized and the use of trade-distorting policies and protectionist practices and non-tariff barriers should be eliminated as they have negative effects on the ability of developing countries to diversify their exports and undertake the required restructuring of their commodity sector and have an adverse impact on liberalization measures taken by commodity-dependent developing countries and their efforts to eliminate poverty;

(c) In line with Agenda 21[6] and the Rio Declaration on Environment and Development,[7] Governments should make it their objective to ensure that trade and environmental policies are mutually supportive so as to achieve sustainable development; in so doing, their environmental policies and measures with a potential trade impact should not be used for protectionist purposes;

(d) In light of the process of multilateral trade liberalization, which has led to the diminution of differentials accorded by preferred trade regimes, there is a need to take measures, as appropriate and consistent with international obligations, to address the diminution, in particular by strengthening technical assistance, by continuing to provide financial assistance to commodity-dependent developing countries and by addressing supply-side constraints faced by such countries, in order to improve the competitiveness of their commodity sectors and to overcome difficulties encountered in their diversification programmes;

(e) Timely and effective financial cooperation to facilitate the management by commodity-dependent countries of excessive fluctuations in commodity export earnings should be maintained and further pursued;

(f) Strengthening technical cooperation in the areas of transfer of new technologies and know-how in production processes and training for technical,

[6] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992* (United Nations publication, Sales No. E.93.I.8 and corrigenda), vol. I: *Resolutions adopted by the Conference*, resolution 1, annex II.

[7] Ibid., annex I.

managerial and commercial staff in developing countries is of paramount importance for quality improvements in the commodity sector;

(g) Expansion of South-South trade and investment in commodities enhances complementarities and offers opportunities for intersectoral linkages within and among exporting countries;

(h) There is a need to promote, expand and intensify research and development, to provide infrastructure and support services and to encourage investment, including joint ventures in developing countries engaged in the commodity and commodity-processing sectors;

7. *Encourages* the Common Fund for Commodities, in cooperation with the International Trade Centre, the United Nations Conference on Trade and Development and other relevant bodies, to continue to expand the activities of its Second Account with the necessary and effective support for research and development and extension services in developing countries, including adaptive research on production and processing aimed at smallholders and small-sized and medium-sized enterprises in developing countries, in order to widen the scope of activities and thus ensure the effective participation of all stakeholders;

8. *Invites* the United Nations Conference on Trade and Development, within its mandate, to provide assistance to developing countries in the financing of commodity diversification and to include issues related to commodities in the provision of analytical support and technical assistance to developing countries in their preparation for effective participation in multilateral trade negotiations and in formulating a positive agenda for future trade negotiations;

9. *Requests* the Secretary-General of the United Nations Conference on Trade and Development to report on world commodity trends and prospects to the General Assembly at its fifty-seventh session;

10. *Decides* to include in the provisional agenda of its fifty-seventh session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "Commodities".